

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Central Wayne County Sanitation Authority</u>	County Wayne
Audit Date June 30, 2004	Opinion Date August 6, 2004	Date Accountant Report Submitted To State: October 4, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature 			

Central Wayne County Sanitation Authority

**Financial Report
with Supplemental Information
June 30, 2004**

Central Wayne County Sanitation Authority

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Governmental Fund Balance Sheet/Statement of Net Assets (Deficit)	7
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities	8
Notes to Financial Statements	9-19
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	20
Other Supplemental Information	
Schedule of Expenditures - Operations - Budget and Actual - General Fund	21-22
Budgetary Comparison Schedule - Capital Projects Fund	23
Schedule of Bonded Indebtedness	24

Independent Auditor's Report

To the Board of Directors
Central Wayne County Sanitation Authority

We have audited the accompanying basic financial statements of Central Wayne County Sanitation Authority as of June 30, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Central Wayne County Sanitation Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Central Wayne County Sanitation Authority as of June 30, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying required supplemental information and other supplemental information, as listed in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Central Wayne County Sanitation Authority. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
Central Wayne County Sanitation Authority

As described in Note I, the Central Wayne County Sanitation Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Plante & Moran, PLLC

August 6, 2004

Central Wayne County Sanitation Authority

Management's Discussion and Analysis

Our discussion and analysis of Central Wayne County Sanitation Authority's (the "Authority" or "CWCSA") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's individual funds.

Central Wayne County Sanitation Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2004 (amounts in thousands). In future years, this table will also present prior year information, as well as comparative data from the statement of net assets (deficit). Since this is the first year of implementation of GASB No. 34 (see Note I), prior year information is not available.

Assets

Current assets	\$ 7,927
Noncurrent assets	<u>1,985</u>
Total assets	9,912

Liabilities

Current liabilities	2,814
Noncurrent liabilities	<u>12,934</u>
Total liabilities	<u>15,748</u>

Net Assets (Deficit)

Invested in capital assets - Net of related debt	(6,199)
Restricted	1,464
Unrestricted	<u>(1,101)</u>
Total net assets (deficit)	<u><u>\$ (5,836)</u></u>

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

The Authority's combined net assets decreased by approximately \$8,462,000 due to several factors related to the change in operations during the year (see Note 11). Operating revenues exceeded operating expenses by approximately \$2,340,000. In connection with the change in operations, it is anticipated that the monofill will no longer be accepting refuse; therefore, the fair market value of the monofill is deemed to be \$0, resulting in an impairment loss of approximately \$9,298,000 recognized in the current year. In addition, the entire estimated closure and postclosure care costs are now recorded as a liability for the Authority. The increase in this liability is approximately \$3,366,000. The Authority recognized a gain on the sale of the plant assets of approximately \$760,000 and revenue of approximately \$1,103,000 from a claims settlement with the Central Wayne Energy Recovery Limited Partnership (CWERLP).

Governmental Activities

The Authority's operating revenue decreased approximately \$605,000, due primarily to a decrease in disposal fees from nonmembers. Once the incinerator ceased operations, the Authority was only responsible for the disposal of the member communities' waste. The Authority's operating and disposal expenditures decreased approximately \$1,537, due to the decrease in expenditures related to nonmembers as noted previously and the Authority's ability to negotiate favorable terms with direct haulers and the landfill after the incinerator ceased operations.

General Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. The most significant budget amendments occurred due to the change in operations. During the year, the Authority became responsible for direct hauling to a landfill as opposed to paying CWERLP for incinerator fees. This significantly increased administrative costs and changed the nature of the operating expenses. Overall, the Authority stayed below budget.

Capital Asset and Debt Administration

At the end of 2004, the Authority had approximately \$621,000 invested in land and equipment. During the year, the Authority completed construction on Cell IV of the monofill. As discussed earlier, the fair market value of the monofill is deemed to be \$0 at June 30, 2004, resulting in an impairment loss of approximately \$9,298,000.

The Authority received \$4,000,000 from Waste Management of Michigan (WMM) for its investment in plant assets. Pursuant to the sale agreement, WMM is responsible for disposal of equipment and demolition of the incinerator plant (the "plant") previously operated by CWERLP. WMM intends to sell the equipment in the plant and these proceeds are to be used to finance the cost of demolition. If these proceeds exceed the cost of demolition, the excess will be paid to the Authority. If the cost of demolition exceeds the proceeds, the Authority will pay WMM the difference. As of June 30, 2004, no demolition or sale of equipment has begun.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

As discussed earlier, the entire estimated closure and postclosure care costs are now recorded as a liability for the Authority. The increase in this liability is approximately \$3,366,000, resulting in a total liability of \$8,591,000.

Economic Factors and Next Year's Budgets and Rates

Major Change in Direction for CWCSA

In 1964, the Authority implemented the burning of solid waste as a means of reducing the volume of solid waste produced by the five member cities that needed to be placed in a landfill. The resulting ash was placed in the monofill. The Authority member cities concluded that this was the best direction for the disposal of solid waste in an environmentally safe manner. This approach was continued until 1998. At that time, the operation of the incinerator was changed dramatically with the reconstruction of the facility into a waste-to-energy (WTE) plant by a private partnership (Central Wayne Energy Recovery Limited Partnership). This introduced the second approach of producing electric power from the burning of solid waste. Even though WTE was a dramatic change, the direction was still the same.

However, with the closure of the WTE plant in September 2003, the result was a significant change in direction. Solid waste was transported to Woodland Meadows, a landfill operated by Waste Management Michigan. This was originally a temporary measure. In December 2003, CWERLP filed for bankruptcy. The ultimate approval of the purchase offer submitted by WMM to purchase both CWERLP and CWCSA's assets at the WTE plant in June 2004 confirmed this change in direction.

The result of this was that for the first time in over five years, the Authority was able to reduce tipping fee rates. The new rates went from \$63/ton to \$49/ton for the 2004-2005 fiscal year beginning July 1, 2004. The last time the \$49/ton rate was charged was in the fiscal year ended June 30, 1992.

CWCSA received a \$4 million payment from WMM as part of the new 20-year agreement. The fiscal year 2004-2005 budget is based on the expectation that this money will be used to assist in the demolition of the WTE plant by June 30, 2005. The intention is to demolish the existing WTE plant following the sale of any salvageable assets. Also, the 32 plus acres of property at the site of the WTE plant will be sold. The Authority will lease office space in one of the five member cities.

All solid waste deliveries to the transfer station at the WTE plant ceased in December 2003. Compost was restarted for a portion of the compost season starting in March 2004, but has ceased as of September 17, 2004. No further flow of solid waste will be handled at the WTE plant in the future.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

There is no longer a need for the monofill operation to be open. The fiscal year 2004-2005 budget assumes that the permanent closure of the monofill will begin in late 2004 or early 2005 and will be completed by December 2005 (during the fiscal year 2005/2006 budget). There will be a continued need to maintain the monofill for a minimum of 30 more years, but this will be a significantly lower annual cost than the current annual operational cost at the monofill.

One should note that the Authority has no remaining debt on the WTE plant or the land upon which it is located. The only remaining debt of CWCSA is on the monofill. A significant amount of this debt will be paid off during fiscal year 2004/2005. The total debt will be paid in full by July 2007.

The Authority's Board and staff have taken a very aggressive approach to resolving the challenges faced by CWCSA. These challenges will be resolved in a fiscally and cost effective manner by the agreements put into place between CWCSA and WMM. The result is expected to be a stable means of solid waste disposal for the next 20 years on a financial basis that will be beneficial to both CWCSA and WMM.

The future of CWCSA looks bright as our member cities continue to work together to dispose of solid waste during the coming years.

Contacting the Authority's Management

This financial report is intended to provide our citizens, member communities, and investors with a general overview of the Authority's finances and show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority's office.

Central Wayne County Sanitation Authority

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) June 30, 2004

	Governmental Fund Types			
		Capital		Net Assets
	General Fund	Projects Fund	Adjustments	(Deficit)
Assets				
Cash and cash equivalents (Note 3)	\$ 1,091,756	\$ 5,468,715	\$ -	\$ 6,560,471
Accounts receivable:				
Constituent communities	1,346,002	-	-	1,346,002
Other	3,971	-	-	3,971
Due from other funds	-	500,000	(500,000)	-
Restricted assets (Note 7)	1,281,154	182,615	-	1,463,769
Nondepreciable capital assets	-	-	509,904	509,904
Depreciable capital assets - Net (Note 4)	-	-	11,286	11,286
Other assets	16,513	-	-	16,513
	<u>\$ 3,739,396</u>	<u>\$ 6,151,330</u>	<u>\$ 21,190</u>	<u>\$ 9,911,916</u>
Total assets				
Liabilities and Fund Equity/ Net Assets (Deficit)				
Liabilities				
Accounts payable	\$ 291,298	\$ 3,614	\$ -	\$ 294,912
Accrued and other liabilities	8,768	-	-	8,768
Payable from restricted assets:				
Due to Perpetual Care Fund	133,484	-	-	133,484
Accounts payable	-	-	-	-
Due to other funds	500,000	-	(500,000)	-
Noncurrent liabilities (Note 6)				
Due within one year	-	-	2,510,000	2,510,000
Due in more than one year	-	-	4,210,000	4,210,000
Monofill closure and postclosure costs	-	-	8,591,000	8,591,000
	<u>933,550</u>	<u>3,614</u>	<u>14,811,000</u>	<u>15,748,164</u>
Total liabilities				
Fund Equity/Net Assets (Deficit)				
Invested in capital assets - Net of related debt	-	-	(6,198,810)	(6,198,810)
Fund balances/Net assets:				
Reserved/Restricted (Note 7)	1,281,154	182,615	-	1,463,769
Unreserved/Unrestricted	1,524,692	5,965,101	(8,591,000)	(1,101,207)
	<u>2,805,846</u>	<u>6,147,716</u>	<u>(14,789,810)</u>	<u>(5,836,248)</u>
Total fund equity/net assets (deficit)				
Total liabilities and fund equity/ net assets (deficit)	<u>\$ 3,739,396</u>	<u>\$ 6,151,330</u>	<u>\$ 21,190</u>	<u>\$ 9,911,916</u>

Central Wayne County Sanitation Authority

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2004

	General Fund	Capital Projects Fund	Adjustments	Statement of Activities
Revenue				
Disposal fees:				
Members	\$ 8,116,897	\$ -	\$ -	\$ 8,116,897
Nonmembers	405,023	-	-	405,023
Interest income	36,830	7,076	-	43,906
Other operations	36,878	-	-	36,878
Rent	10,000	-	-	10,000
Total revenue	8,605,628	7,076	-	8,612,704
Expenditures				
Operations	3,890,308	-	-	3,890,308
CWERLP disposal fees:				
Members	1,412,901	-	-	1,412,901
Nonmembers	405,023	-	-	405,023
Debt service	2,672,064	-	(2,195,000)	477,064
Capital outlay	-	891,383	(813,993)	77,390
Depreciation	-	-	5,643	5,643
Total expenditures	8,380,296	891,383	(3,003,350)	6,268,329
Excess of Revenue Over (Under) Expenditures	225,332	(884,307)	3,003,350	2,344,375
Other Financing Sources (Uses)				
Proceeds from sale of assets	4,000,000	-	(4,000,000)	-
Gain on sale of assets	-	-	759,333	759,333
Monofill closure and postclosure costs	-	-	(3,366,000)	(3,366,000)
Operating transfers in (out)	(5,593,184)	5,593,184	-	-
Total other financing sources (uses)	(1,593,184)	5,593,184	(6,606,667)	(2,606,667)
Extraordinary Items				
CWERLP claims settlement	1,103,184	-	-	1,103,184
Impairment of asset - Monofill	-	-	(9,298,201)	(9,298,201)
Total extraordinary items	1,103,184	-	(9,298,201)	(8,195,017)
Net Change in Fund Balances/Net Assets	(264,668)	4,708,877	(12,901,518)	(8,457,309)
Fund Balances/Net Assets (Deficit) - Beginning of year	3,070,514	1,438,839	(1,888,292)	2,621,061
Fund Balances/Net Assets (Deficit) - End of year	<u>\$ 2,805,846</u>	<u>\$ 6,147,716</u>	<u>\$ (14,789,810)</u>	<u>\$ (5,836,248)</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies

Central Wayne County Sanitation Authority (the "Authority") provides household refuse disposal services primarily for the benefit of member municipalities in Wayne County, Michigan. These member municipalities are the cities of Dearborn Heights, Garden City, Inkster, Wayne, and Westland.

Effective July 1, 2003, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes as a result of Statement No. 34 include the presentation of combined governmental fund modified accrual and government-wide full accrual financial statements. As of and for the year ended June 30, 2004, adjustments were made to the amounts in the governmental funds for capital assets and long-term debt in order to arrive at the government-wide full accrual financial statements.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Authority is governed by a board consisting of one representative from each of the five member communities. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Basis of Accounting

The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. For the purpose of the government-wide financial statements, the Authority reports a liability for outstanding bonds and monofill closure and postclosure care costs, which will be funded through future revenue from the member municipalities.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

General Fund - The General Fund contains the records of the ordinary activities of the Authority that are not accounted for in another fund. General Fund activities are financed by revenue from refuse disposal fees.

Capital Projects Fund - The Capital Projects Fund is used to account for expenditures financed by bond issues and by the Board-designated Improvement Fund.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value, based on quoted market prices, with the exception of money market instruments with a maturity of one year or less at time of purchase, which are recorded at cost.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/due from other funds." All receivables are shown as net of allowance for uncollectible amounts.

Restricted Assets - Several bond ordinances require amounts be set aside for maintenance, debt service principal and interest, and a bond reserve. These amounts have been classified as restricted assets. Unspent bond proceeds of the Capital Projects Fund are required to be set aside for construction or debt service. These amounts have also been classified as restricted assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Capital Projects Fund. All annual appropriations lapse at fiscal year end. The Board approves the original budget prior to the beginning of the fiscal year. The Board reviews budget to actual information throughout the year and approves amendments as deemed necessary. The budget is adopted on a fund-total basis. During the year, there were significant budget amendments due to the change in operations (see Note 11).

The budget document presents information by fund and function. The legal level of budgetary control adopted by the Authority is the fund level.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contract, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A comparison of actual results of operations to the budgets as adopted by the Board is included in the required supplemental information for the General Fund and in the other supplemental information for the Capital Projects Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Authority did not have significant expenditure budget variances.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 3 - Cash and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated three banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in instruments approved by the state statutory authority as listed above.

The Authority's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Balance Sheet Classifications		
	Cash and Cash Equivalents	Restricted Assets (Note 7)	Total
Deposits	\$ 723,637	\$ -	\$ 723,637
Investments	5,836,084	1,413,769	7,249,853
Petty cash and cash on hand	750	-	750
Total	<u>\$ 6,560,471</u>	<u>\$ 1,413,769</u>	<u>\$ 7,974,240</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 3 - Cash and Investments (Continued)

Deposits

The bank balance of the Authority's deposits is \$733,637, of which \$300,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Authority's investments are all held in bank investment pools and mutual funds. The bank investment pools and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

Note 4 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance July 1, 2003	Additions	Disposals and Impairment	Balance June 30, 2004
Capital assets not being depreciated -				
Land	\$ 509,904	\$ -	\$ -	\$ 509,904
Capital assets being depreciated:				
Incinerator plant and improvements	8,641,780	-	8,641,780	-
Equipment	71,946	-	-	71,946
Vehicles	39,500	-	-	39,500
Monofill improvements	16,968,416	813,993	17,782,409	-
Subtotal	25,721,642	813,993	26,424,189	111,446

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 4 - Capital Assets (Continued)

	Balance July 1, 2003	Additions	Disposals and Impairment	Balance June 30, 2004
Accumulated depreciation:				
Incinerator plant and improvements	\$ 5,401,113	\$ -	\$ 5,401,113	\$ -
Equipment	71,946	-	-	71,946
Vehicles	22,571	5,643	-	28,214
Monofill improvements	8,484,208	-	8,484,208	-
Subtotal	13,979,838	5,643	13,885,321	100,160
Net capital assets being depreciated	11,741,804	808,350	12,538,868	11,286
Net capital assets	<u>\$ 12,251,708</u>	<u>\$ 808,350</u>	<u>\$ 12,538,868</u>	<u>\$ 521,190</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The transfer from the General Fund to the Capital Projects Fund represents the movement of resources to be used for future capital projects. The due to/due from results in a time lag between the time the transfer was recorded and the payment between the funds is made.

Note 6 - Long-term Debt

The Authority issues revenue bonds to provide for the construction of major capital improvements. Revenue bonds involve a pledge of revenue derived from operations.

Long-term obligation activity can be summarized as follows:

	Amount of Issue	Maturing Through	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Incinerator revenue bonds:								
Series V	\$ 1,710,000	2005	6.8%-6.85%	\$330,000	\$ 660,000	\$ (330,000)	\$ 330,000	\$ 330,000
Series VI	1,435,000	2006	6.4%	\$1,435,000	1,435,000	-	1,435,000	-
Series 1999 - Refunding bonds	7,400,000	2005	4.75%	\$2,180,000	4,045,000	(1,865,000)	2,180,000	2,180,000
Series VII	2,775,000	2007	4.375%- 4.75%	\$775,000- \$2,000,000	2,775,000	-	2,775,000	-
Total incinerator revenue bonds					8,915,000	(2,195,000)	6,720,000	2,510,000
Monofill closure and postclosure care costs (Note 12)					5,225,000	3,366,000	8,591,000	-
Total					<u>\$ 14,140,000</u>	<u>\$ 1,171,000</u>	<u>\$ 15,311,000</u>	<u>\$ 2,510,000</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity of the above bonds are as follows:

	Principal	Interest	Total
2005	\$ 2,510,000	\$ 363,861	\$ 2,873,861
2006	2,210,000	237,706	2,447,706
2007	2,000,000	95,000	2,095,000
Total	<u>\$ 6,720,000</u>	<u>\$ 696,567</u>	<u>\$ 7,416,567</u>

Advance Refundings - In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2004, \$3,840,000 of bonds outstanding are considered defeased.

Note 7 - Restricted Assets

Restricted assets represent cash and investments that have been segregated for specific purposes due to legal requirements. The restricted assets were composed of the following:

	General Fund	Capital Projects Fund
Cash and cash equivalents - Investments	\$ 1,231,154	\$ 182,615
Deposit with Michigan Department of Natural Resources	<u>50,000</u>	<u>-</u>
Total restricted assets	<u>\$ 1,281,154</u>	<u>\$ 182,615</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 7 - Restricted Assets (Continued)

A summarization of the intended uses of the restricted assets is as follows:

	General Fund	Capital Projects Fund
Reserved for future Series VI bond principal and interest redemption*	\$ 143,500	\$ -
Reserved for future Series V bond principal and interest redemption*	66,000	-
Reserved for future Series I 999 bond principal and interest redemption*	404,500	-
Reserved for future Series VII bond principal and interest redemption*	408,671	-
Reserved for future plant equipment repair and replacement*	75,000	-
Reserved for monofill perpetual care	133,483	-
Reserved - Unspent bond proceeds	-	182,615
Deposit reserved for Monofill Watering Care Fund	50,000	-
Total restricted assets	<u>\$ 1,281,154</u>	<u>\$ 182,615</u>

* These balances have been established in accordance with Revenue Bond Ordinances Nos. 3, 4, 5, 8, and 9. The ordinances require that, after providing for current operations, maintenance, and bond and interest redemption, a Bond Reserve Account and Replacement Fund be established.

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all of the above risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 9 - Defined Benefit Pension Plan

Plan Description

As part of the privatization initiative, all employees were terminated on June 15, 1998. The Authority provided substantially all employees with retirement, disability, and death benefits by participating in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit plan. The active employees on June 15, 1998 were offered the option of withdrawing their funds or remaining in the plan. The Authority is responsible for maintaining sufficient funds in the plan to cover the actuarially computed future benefits for the previous employees remaining in the plan. During the year ended June 30, 2003, the plan re-opened and the two employees of the Authority are now active participants. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Michigan Municipal Employees' Retirement System at 1134 Municipal Way, Lansing, Michigan 48917.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2004	2003	2002
Annual pension cost (APC)	\$ 10,320	\$ 30,000	\$ 30,000
Percentage of APC contributed	100%	100%	100%
	Valuation Year Ended December 31		
	2003	2002	2001
Actuarial value of assets	\$ 3,290,177	\$ 3,328,350	\$ 3,112,826
Actuarial accrued liability (AAL)			
(entry age)	\$ 3,494,651	\$ 3,452,001	\$ 3,432,085
Unfunded AAL (UAAL)	\$ 204,474	\$ 123,651	\$ 319,259
Funded ratio	94%	96%	91%

Note 10 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Authority, the Authority contributes 1 percent of employees' gross earnings. There were no contributions to this plan during the year.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 11 - Commitments

The Authority has obtained a \$1,365,000 letter of credit to provide financial assurance to the Michigan Department of Natural Resources for potential liability relative to the monofill. The Authority has submitted a \$50,000 cash bond to the Michigan Department of Natural Resources. This bond will be retained by the Michigan Department of Natural Resources until 30 years past the time of closure of the monofill.

The Authority entered into a 35-year agreement with the Central Wayne Energy Recovery Limited Partnership (CWERLP). Pursuant to terms of the agreement, CWERLP is obligated to accept and dispose of all waste delivered to the Authority by the constituent communities at a fixed rate per ton to be adjusted annually for inflation through February 2035. The base rate for the year ended June 30, 1995 was \$35 per ton. The rate was \$44.11 per ton for 2004.

During the year, CWERLP filed for bankruptcy and ceased operations. As of June 23, 2004, the Authority entered into a 20-year disposal contract with Waste Management of Michigan (WMM). Pursuant to the agreement, WMM is to accept waste from the constituent communities at the Woodland Meadows landfill for a fixed rate per ton, to increase annually beginning July 1, 2007. The increase on July 1, 2007 is 3.75 percent and 2 percent annually thereafter. The fixed rate as of June 30, 2004 is \$18.98 per ton plus related taxes, fees, and surcharges.

In conjunction with the disposal agreement, WMM agreed to purchase all the assets of the Authority and CWERLP, except the following assets: land, office equipment, the monofill, and certain vehicles. The Authority received \$4,000,000 from the sale of their assets. Pursuant to the sale agreement, WMM is responsible for disposal of equipment and demolition of the incinerator plant (the "plant") previously operated by CWERLP. WMM intends to sell the equipment in the plant and these proceeds are to be used to finance the cost of demolition. If these proceeds exceed the cost of demolition, the excess will be paid to the Authority. If the cost of demolition exceeds the proceeds, the Authority will pay WMM the difference. As of June 30, 2004, no demolition or sale of equipment has begun.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2004

Note 12 - Monofill Closure and Postclosure Care Cost

State and federal laws and regulations require the Authority to place a final cover on its monofill when it stops accepting waste and to perform certain maintenance and monitoring functions at the monofill for 30 years after closure. Although closure and postclosure care costs will be paid near or after the date the monofill stops accepting waste, the Authority records a portion of these costs as a liability in accordance with Governmental Accounting Standards Board Statement No. 18. The \$8,591,000 liability recorded at June 30, 2004 represents the Authority's portion of the estimated total liability for closure and postclosure care costs. The amount recorded is based on estimated costs in current dollars to perform all closure and postclosure care as of June 30, 2004. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

The Authority is required by state regulations to set aside a portion of disposal fees to finance postclosure maintenance. The amount is reported as a restricted asset and a liability (see Note 7).

Note 13 - Postemployment Benefits

Health care insurance is provided for employees who have 25 or more years of service when they retire. The cost of this benefit is recognized as the insurance premiums become due. During 2004, nine retired employees received this benefit for a cost to the Authority of approximately \$110,000. There are three former employees who are eligible for this benefit in the future when they retire from their subsequent employers. In addition, there are two former employees receiving long-term workers' compensation benefits. The cost to the Authority was approximately \$30,000 for the year ended June 30, 2004.

Note 14 - Contingent Liabilities

The Authority, as the previous owner of an incinerator and as an operator of a monofill, is subject to ongoing regulations and review by various federal and state agencies. The Authority believes it is operating within the regulations imposed by all agencies. However, the Authority's financial exposure related to agency actions to enforce policies over current operations is not determinable. Accordingly, no provision has been made in the accompanying financial statements for the potential liability, if any, that may arise from any actions.

Required Supplemental Information

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Disposal fees:				
Members	\$ 7,930,314	\$ 8,125,500	\$ 8,116,897	\$ (8,603)
Nonmembers	405,023	405,023	405,023	-
Interest income	40,000	36,000	36,830	830
Other operations	1,000	32,900	36,878	3,978
Rent	10,000	10,000	10,000	-
Total revenue	8,386,337	8,609,423	8,605,628	(3,795)
Expenditures				
Operations	451,522	3,969,792	3,890,308	79,484
CWERLP disposal fees:				
Members	5,236,339	1,432,983	1,412,901	20,082
Nonmembers	405,023	405,023	405,023	-
Debt service	2,672,614	2,672,614	2,672,064	550
Total expenditures	8,765,498	8,480,412	8,380,296	100,116
Excess of Revenue Over (Under) Expenditures	(379,161)	129,011	225,332	96,321
Other Financing Sources (Uses)				
Forgiveness of debt - CWERLP claims settlement	-	1,103,184	1,103,184	-
Proceeds from sale of assets	-	4,000,000	4,000,000	-
Operating transfers out	(40,000)	(5,559,101)	(5,593,184)	(34,083)
Total other financing sources (uses)	(40,000)	(455,917)	(490,000)	(34,083)
Excess of Expenditures and Other Financing Uses Over Revenue and Other Sources	(419,161)	(326,906)	(264,668)	62,238
Fund Balance - Beginning of year	3,070,514	3,070,514	3,070,514	-
Fund Balance - End of year	<u>\$ 2,651,353</u>	<u>\$ 2,743,608</u>	<u>\$ 2,805,846</u>	<u>\$ 62,238</u>

Other Supplemental Information

Central Wayne County Sanitation Authority

Schedule of Expenditures - Operations Budget and Actual General Fund Year Ended June 30, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating expenses:			
Administrative salaries and wages	\$ 98,500	\$ 96,727	\$ 1,773
Social Security	7,535	7,400	135
Hospitalization insurance	128,227	140,167	(11,940)
Life insurance	4,306	4,694	(388)
Office supplies	4,000	3,449	551
Office equipment and rental	150	150	-
Postage	700	633	67
Auditing and accounting	8,350	8,350	-
Payroll accounting	780	900	(120)
Legal fees	26,000	23,359	2,641
Banking and financial	7,650	7,603	47
Amortization expense	2,705	2,705	-
Workers' compensation	551	551	-
Insurance - Other	45,444	45,444	-
Monofill - Perpetual care	1,853	1,853	-
Host fee	742	741	1
Membership dues	800	656	144
Education and training	1,800	1,506	294
Retirement contribution	10,320	10,320	-
Miscellaneous	450	386	64
Lot maintenance	700	609	91
Contingency	25,000	-	25,000
Total operating expenses	376,563	358,203	18,360

Central Wayne County Sanitation Authority

Schedule of Expenditures - Operations Budget and Actual General Fund (Continued) Year Ended June 30, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Termination expenses:			
Landfill expenses	\$ 1,246,531	\$ 1,243,522	\$ 3,009
Transportation expenses	1,197,162	1,183,713	13,449
Transfer station operations	236,198	238,924	(2,726)
Plant maintenance and supplies	35,000	23,123	11,877
Household hazardous waste event	50,195	50,194	1
Office supplies and postage	3,800	3,305	495
Monofill expenses:			
Engineering services	30,672	34,759	(4,087)
Personnel	51,800	47,489	4,311
Equipment rental	106,300	106,298	2
Supplies and maintenance	50,000	30,086	19,914
Clay	22,163	22,162	1
Contract seeding	9,408	9,408	-
Attorney and consulting fees	436,000	422,092	13,908
Plant personnel expenses	118,000	117,030	970
Total termination expenses	3,593,229	3,532,105	61,124
Total operations	<u>\$ 3,969,792</u>	<u>\$ 3,890,308</u>	<u>\$ 79,484</u>

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule Capital Projects Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Interest Income	\$ 9,500	\$ 7,135	\$ 7,076	\$ (59)
Expenditures - Capital outlay	<u>1,246,346</u>	<u>886,313</u>	<u>891,383</u>	<u>(5,070)</u>
Excess of Expenditures Over Revenue	(1,236,846)	(879,178)	(884,307)	(5,129)
Other Financing Sources - Operating transfers in	<u>40,000</u>	<u>5,559,101</u>	<u>5,593,184</u>	<u>34,083</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	(1,196,846)	4,679,923	4,708,877	28,954
Fund Balance - Beginning of year	<u>1,438,839</u>	<u>1,438,839</u>	<u>1,438,839</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 241,993</u>	<u>\$ 6,118,762</u>	<u>\$ 6,147,716</u>	<u>\$ 28,954</u>

Central Wayne County Sanitation Authority

Schedule of Bonded Indebtedness June 30, 2004

Description	Interest	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
	Rate			June 30	
	(Percent)			2004	2003
Incinerator Revenue Bonds					
Series V:					
Amount of issue - \$8,800,000*					
Date of issue - May 1, 1992					
	6.80	7/1/2004	\$ 330,000	\$ -	\$ 330,000
	6.85	7/1/2005	330,000	<u>330,000</u>	<u>330,000</u>
Total Series V				330,000	660,000
Series VI:					
Amount of issue - \$3,400,000					
Date of issue - August 20, 1996					
	6.40	7/1/2006	1,435,000	1,435,000	1,435,000
Series 1999 - Refunding bonds:					
Amount of issue - \$7,400,000					
Date of issue - September 1, 1999					
	4.75	7/1/2004	1,865,000	-	1,865,000
	4.75	7/1/2005	2,180,000	<u>2,180,000</u>	<u>2,180,000</u>
Total Series 1999				2,180,000	4,045,000
Series VII:					
Amount of issue - \$2,775,000					
Date of issue - April 22, 2003					
	4.375	7/1/2006	775,000	775,000	775,000
	4.75	7/1/2007	2,000,000	<u>2,000,000</u>	<u>2,000,000</u>
Total Series VII				<u>2,775,000</u>	<u>2,775,000</u>
Total incinerator revenue bonds				\$ 6,720,000	\$ 8,915,000

* Bonds were partially refunded in 1999.



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August 21, 2004

Board of Directors
Central Wayne County Sanitation Authority
4901 S. Inkster Road
Dearborn Heights, MI 48125

Dear Board Members:

We have recently completed the audit of the financial statements of Central Wayne County Sanitation Authority for the year ended June 30, 2004. Again this year, the Authority's books and records were found to be in excellent condition. In addition to the audit report, we offer the following for your consideration:

ELECTRONIC FUNDS TRANSFERS

Effective immediately, all municipalities that make and accept electronic funds transfers (ACH payments), must adopt a formal policy. This policy should include the following information:

- Designation of an individual as the party responsible for payment approval, accounting, reporting and compliance with the ACH policy
- A statement that this individual is required to submit documentation for the purpose of the transfer, including the following: description of the goods or services, cost, and date of payment.
- A system of internal controls to monitor the use of ACH transactions
- The approval of ACH invoices before payment

We understand that the Authority is currently working on a policy. If you would like further assistance with this policy, please feel free to call us.

We would like to express our sincere appreciation to Mr. Steven Aynes and Mrs. Patricia Noel for the courtesy and cooperation extended to us during the course of our engagement. If you have any questions or comments, we would be pleased to discuss them with you at your convenience.

Yours truly,

PLANTE & MORAN, PLLC

David H. Helisek

A member of



A worldwide association of independent accounting firms